



**AGRA
INDUSTRIES
LIMITED**

1980 SEVENTEENTH ANNUAL REPORT



AGRA INDUSTRIES LIMITED

CORPORATE HEAD OFFICE: 1101 CN TOWERS, SASKATOON, CANADA, S7K 1J5

PHONE (306) 653-5163 TELEX 074-2496

1980 SEVENTEENTH ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1980	1979
Sales	\$139,217,043	105,629,644
Net Earnings — After Taxes		
Before Extraordinary Items	1,297,691	989,473
After Extraordinary Items	1,446,784	959,361
Net Earnings Per Share		
Before Extraordinary Items55	.42
After Extraordinary Items61	.40
Cash Flow	3,695,929	1,880,919
Cash Flow Per Share	1.56	.79
Equity Per Share	13.29	12.67
Average Shares Outstanding	2,370,002	2,371,552
Return on Equity	5%	3%

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ANNUAL MEETING

The annual meeting of shareholders will be held at 2:30 p.m. on Thursday, January 15, 1981 in the Sheraton West Room, Sheraton Cavalier Hotel, in Saskatoon, Saskatchewan. If you cannot be present, please vote by proxy.



Beer Precast are erecting ceiling panels, roof panels and balustrades for the magnificent new Massey Hall in Toronto.



AGRA INDUSTRIES LIMITED

BOARD OF DIRECTORS

D. H. C. BEACH	Nipawin	F. D. McCARTHY	Edmonton
G. H. BEATTY	Regina	T. A. McLELLAN	Saskatoon
J. S. BURTON	Regina	C. ROLES	Saskatoon
S. J. HAMER	Vancouver	H. TENENBAUM	Toronto
W. B. MANOLSON	Toronto	B. B. TORCHINSKY	Toronto

OFFICERS AND CORPORATE MANAGEMENT

B. B. TORCHINSKY
President and Chairman of the Board

T. A. McLELLAN
Executive Vice-President and Secretary

A. W. BEAN
Vice-President, Special Investments

H. TENENBAUM
Vice-President, Foods Group

F. D. McCARTHY
Vice-President, Engineering Group

W. B. MANOLSON
Vice-President, Community Services Group

K. J. TAYLOR
Vice-President, Beverages Group

W. V. FURBER
Vice-President, Communications Division (Radio)

R. G. DITTMER
Treasurer

O. P. RITTER
Corporate Counsel

COMPANY AUDITORS

Deloitte Haskins & Sells
Saskatoon, Saskatchewan

REGISTRAR and TRANSFER AGENT

Common Shares: Canada Permanent Trust Company
Convertible Debentures: Canada Trust Company

SECURITIES EXCHANGE LISTING

Toronto Stock Exchange
Montreal Stock Exchange

REPORT TO THE SHAREHOLDERS



Consolidated revenues for fiscal 1980 reached \$139,217,043 compared with \$105,629,644 last year. Earnings from operations, after allowing for full income taxes, reached \$1,446,784 or 61 cents per share (based on 2,370,002 shares outstanding) compared with \$959,361 or 40 cents per share (based on 2,371,552 shares) last year. The current year's earnings include an extraordinary gain of \$149,093 or 6 cents per share. Last year's earnings included an extraordinary loss of \$30,112 or 2 cents per share.

While operating results for the year are relatively uninspiring, nevertheless a turn-around trend is evident. Many organizational changes and consolidation adjustments were made during the year in an effort to improve efficiencies and to maximize profits. For example, we closed down several branch offices which had contributed very little to operating results in the past few years. We also sold our minority interest in Fraser River Pile Driving and our fifty percent interest in Integrated Satellite Information Services. Because of operating and other difficulties we sold Seven-Up Montreal Ltée. on a reasonably attractive basis. Also, subsequent to year-end we sold our entire interest in Canada All-News Radio (CKO) which has been a major drain on earnings for the past few years. The Seven-Up Montreal sale is subject to approval by the Foreign Investment Review Agency (FIRA) and the CKO sale is subject to approval by the Canadian Radio-television and Telecommunications Commission. These approvals will hopefully be forthcoming within the next few months.

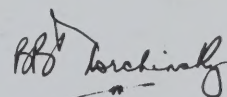
At the same time as we consolidated problematic divisions we continued during the year to expand and develop attractive divisions which show good promise for the future. For example, we purchased Sergent, Hauskins & Beckwith, a geotechnical consulting engineering company headquartered in Phoenix. This company does the same work as our BBT Geotechnical Consultants which has been consistently profitable for many years. The new company will provide a natural expansion for BBT Geotechnical into the vast U.S. market. We also purchased the cable TV system which serves a major part of Burlington, Ontario and just after our year-end, under a "Toronto area rationalization plan", we traded our Scarborough cable system for the systems which serve the balance of Burlington plus all of Oakville, Ontario. Subsequent to year-end we also purchased the cable system in Kingston, Ontario. This will provide a net increase in the new year of approximately 20,000 subscribers for CableNet, our cable television subsidiary. In addition, our medical laboratory subsidiary, Cybermedix, purchased several small laboratories in Quebec and Buffalo and also acquired (subsequent to year-end) a chain of seventeen labs in Hamilton and Toronto, all of which will enable this fast growing segment of our company to improve the efficiency of its operations.

As well as expanding by purchasing carefully selected companies, we also continued with several major internal expansion programs. For example, Coast Steel Fabricators constructed a new steel fabricating facility in Vancouver at a cost of three

million dollars. South-Western Cable TV Inc. (in which CableNet holds a 50% interest) continued its six million dollar cable TV construction program near St. Louis, and Research Foods acquired and expanded Campro Laboratories from which it will conduct research and product analyses for itself and for outside clients. These expansion programs should all prove to be very worthwhile for AGRA in future years.

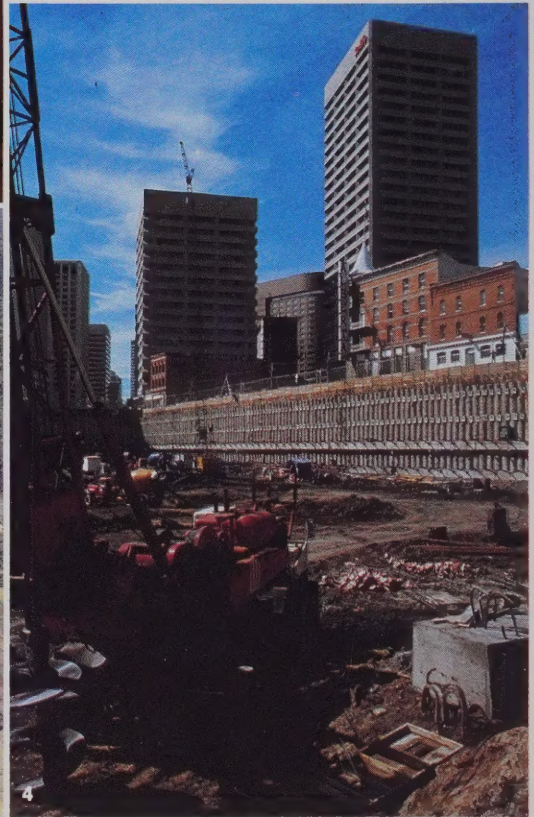
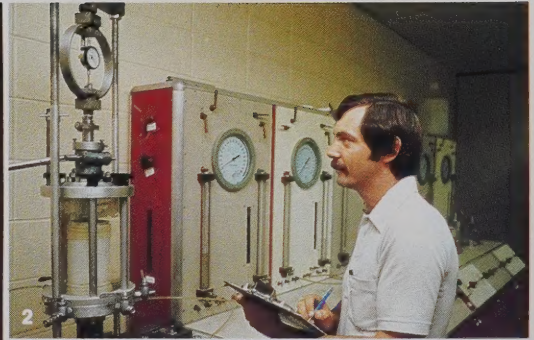
I am saddened to report the death in July of Mr. Robert A. Schwieder who was an AGRA director and a member of our corporate management team. Bob was a very active and well known consulting engineer in western Canada for more than three decades and was known and loved by many, many people. He will be sorely missed.

Because of financial difficulties encountered in 1979 your board of directors determined in the latter part of that year to postpone further dividend payments until we could overcome our problems. Fiscal 1980 has been a very eventful year and as a result a sharp improvement in our financial fortunes appears imminent. I am very optimistic that fiscal 1981 will see us crystallize our potential into bottom line clarity and that your board will see its way clear to reinstate our policy of dividend payments on a regular quarterly basis sometime in the new year.



B. B. Torchinsky
Chairman and President

Saskatoon
November, 1980



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1. S. M. Daniel, President of The Cambrian Engineering Group Limited, accepts award from The Honorable Mr. Ed Schreyer, Governor General, granted by the Association of Consulting Engineers of Canada. Award is for the design by Cambrian's Calgary office, of a computerized coal loading system which automatically weighs continuously moving unit trains.
2. Technician L. O'Toole conducts a triaxial compressive strength test in BBT Geotechnical's Edmonton laboratory.
3. Sergent, Hauskins & Beckwith provided geotechnical consulting services for this 45,000 ton per day copper concentrator at Cities Service Company's Pinto Valley project near Miami, Arizona.
4. Western Caissons installed tangent piles to retain the sliding banks of the North Saskatchewan River along Grierson Hill in Edmonton for an open cut, 60 feet deep. Project is the new Convention Centre for the City of Edmonton.
5. Cambrian Engineering provided engineering design and construction management for this 600 ton per day rapeseed processing plant near Edmonton.

ENGINEERING GROUP

The restructuring of our Engineering Group begun some time ago produced encouraging results in fiscal 1980. Total sales dropped slightly to \$59,656,312 compared with \$60,862,090 last year while after-tax profits rose to \$1,006,344 compared with \$254,089 in the previous year. These earnings indicate a very clear turn-around trend which is very gratifying.

We continued throughout the year with a consolidation program of closing down or selling problematic offices while expanding those operations which were obviously successful. At the same time we instituted a major re-organization of the Engineering Group's administrative structure. To help us accomplish this, early in the year we sold our minority interest in Fraser River Pile Driving to raise sorely needed capital.

Our heavy construction operations performed very well this year with but a few exceptions. Excellent contributions were made by Western Caissons, Jensen & Reynolds, Meredith Drilling and Mocoat Industries. Beer Precast showed substantial improvement over last year and Coast Steel Fabricators also performed very well, particularly in light of the fact that during the year they constructed and moved into a new three million dollar fabricating plant in Vancouver. A major soft spot in our heavy construction operation developed during the year in the Middle East where political and administrative problems are excessive. We are addressing ourselves to this problem and hope to soon have it under better control.

Our Consulting Engineering division also had an active and reasonably successful year. BBT Geotechnical Consultants and Torchinsky Consulting both produced very good results. Cambrian Engineering underwent major administrative changes in the past year which created considerable disorientation. In spite of this, their performance for the year was satisfactory and we have strong indications that this company is now poised to properly develop its excellent potential. Near the end of the fiscal year we acquired Sergeant, Hauskins & Beckwith, a geotechnical engineering company which is headquartered in Phoenix, Arizona and has branch offices in Albuquerque and Sante Fe, New Mexico. The company has been established for over twenty years and enjoys an excellent reputation in its field. It will provide a natural expansion for our BBT Geotechnical Consultants subsidiary into the vast U.S. market.

One of the most successful performances in our Engineering Group was recorded by Ellesmere Developments Ltd., our land assembly and property development company newly formed last year. The company now has substantial real estate holdings in Alberta, Texas and California. In spite of high interest rates and recessionary trends, their first year's operating results are most gratifying.

All in all, the Engineering Group has come through a very busy year, filled with much work and many changes. The results are very encouraging and we look forward to a continuation of the improvement trend next year.





1. Robert Gagnier operates the premix filler while Nayna Patel handles the tank washer. Blue Label's fountain department can wash and fill 1,000 tanks per day.
2. Esther Way invites customers to sample Orange and other Crush flavours at a Co-op Supermarket in Calgary.
3. Marketing Manager Stu McQuay discusses merchandising at Safeway's South Centre store in Calgary.
4. Fred Robbins, Service Manager of Stampede Vending talks to Denise Paquin at a vending location. Stampede Vending supplies soft-drinks, snacks, cigarettes and coffee through venders in Calgary.
5. President Ken Taylor breaks ground for Blue Label's new plant in Calgary's Foothills Park. Vice-President Finance, Morley Chandler and Vice-President and General Manager, Vern Siemens obviously approve! The new building will comprise 120,000 square feet of office, production and warehouse space built on a 9.1 acre lot.



BEVERAGES GROUP

With the acquisition of Seven-Up Montreal Ltée. early in the fiscal year total sales for the Beverages Group took a quantum leap forward to reach \$47,411,863 compared with \$16,347,315 last year. After-tax earnings reached \$804,242 compared with \$684,230 last year. While these earnings may be disappointing based on the large volume increase, they do represent a record contribution to AGRA's overall performance by the Beverages Group, and are in fact quite reasonable in light of several factors which depressed earnings but were clearly beyond our control. For example, record high interest rates became very onerous for us because of the heavy financing required to purchase Seven-Up Montreal Ltée. Also, product ingredient costs such as sugar increased dramatically and far too quickly to be adequately compensated for in our selling schedules. Additional factors were the write-down of our inventory of 1½ litre glass bottles which were recently banned by the federal government as well as operating problems in Montreal which were considerably more difficult than originally anticipated.

During the year in Alberta we consolidated sales of our national brand leaders Pepsi, 7-Up, Orange Crush and Dr. Pepper. We also added several new brand names such as Quench, Lipton's Iced Tea and Perrier Water which we hope to develop into an important part of our product line-up. Our Stampede Vending and Contain-A-Way subsidiaries both operated satisfactorily for the year and contributed

their fair share to operating results. Stampede Vending supplies industrial accounts with a full service line of soft-drinks, coffee and snacks from vending machines and Contain-A-Way operates a depot system throughout Alberta to serve both the Alberta Liquor Control Board and the Alberta Soft-Drink Association in handling their containers under the Alberta Beverages Container Act.

Because of operating difficulties and disappointing results in Montreal, and also because of the high cost of financing, we sold our interest in Seven-Up Montreal Ltée. on a reasonably attractive basis. The sale is subject to approval by the federal government's Foreign Investment Review Agency which we hope will become available sometime in the new year. In the meantime, the continuing growth of business volume in southern Alberta has necessitated serious planning towards the development of a new plant in Calgary which will provide double the space and capacity of the existing plant. We have already located property for this purpose and during the new year we expect to make a start in construction.

For the new year we look forward to a continued strong growth in Alberta and a start in the exciting development of a new plant which will have the capacity and operating efficiencies to profitably serve the rapidly expanding Alberta market.





1. Reception area at Commerce Court Medical Centre in Toronto where Cybermedix operates the diagnostic laboratory.
2. Andy Klodnicki checks equipment at Citizens Cable TV head-end.
3. General News' educational lounge where teachers and librarians can examine the latest publications.
4. Frank Nowicki, chemistry supervisor, examines the computerized SMA/20 which is able to process 20 individual chemistry analyses simultaneously in Cybermedix's diagnostic laboratory.
5. General News utilizes computerized scanning techniques for maximum efficiency in recording inventory returns.
6. Service vehicles used by Citizens Cable TV to maintain and serve the Burlington cable system.

COMMUNITY SERVICES GROUP

Our Community Services Group is made up of two major divisions, the Communications division and the Cybermedix division. The Communications division is involved in cable television, radio broadcasting and wholesale distribution of magazines and paperback books. The Cybermedix division operates medical diagnostic laboratories in eastern Canada and the United States. Total sales for the year reached a record \$20,904,987 compared with \$12,685,491 last year. Consolidated operations for the year produced a very disappointing \$1,092,868 loss compared to a loss of \$309,280 last year. Included in the sales figures are \$15,505,167 for the current year and \$6,857,595 for last year which represents our share (73%) of Cybermedix's sales for the year. These Cybermedix sales figures are not included in AGRA's consolidated sales figures since our interest in Cybermedix is accounted for on an equity investment basis.

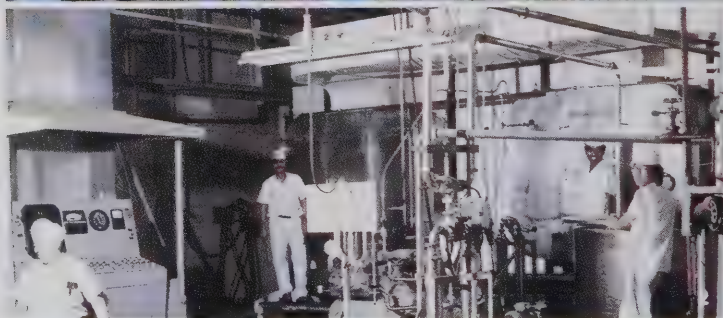
The major problem for this year (as for last year) was created in the Communications division by our Canada All-News Radio broadcasting network (CKO) which lost a record \$1,950,297 for the year (82 cents per share). While we remain convinced that the concept of CKO will eventually become very successful, it is obvious that AGRA cannot continue to support such heavy losses. For this reason, subsequent to our year-end we concluded an agreement to sell our entire interest in CKO on a reasonable basis which will enable us to recover a major portion of our losses. The sale is subject to approval of the Canadian Radio-television & Telecommunications Commission (CRTC).

The remaining companies in the Communications division produced reasonable results for the year. Our General News subsidiary in southern Alberta again produced record sales volume and profits for

the eleventh year in a row, and CableNet, our cable television subsidiary, continued to expand and prosper. During the year we obtained CRTC approval for the acquisition of Citizens Cable TV Ltd. in Burlington, Ontario. Through this acquisition and through continued growth in other systems CableNet now serves 111,000 subscribers, an increase of 30 percent over last year when less than 84,000 subscribers were connected. South-Western Cable TV Inc., our new cable system near St. Louis now has more than 7,000 subscribers and is growing rapidly. Subsequent to our year-end the CRTC approved CableNet's purchase of the cable system serving Kingston, Ontario. The CRTC also approved the "Toronto area rationalization plan" whereby our Wired City Communications subsidiary exchanged its cable system serving parts of Scarborough in return for all of Oakville, Ontario plus the balance of the cable system not already owned by us in Burlington. This rationalization of cable systems in the Toronto area will result in more efficient operations in Burlington and Oakville and together with the Kingston purchase will add another 20,000 subscribers to CableNet's overall system.

Our Cybermedix division operated satisfactorily for the year but experienced difficulties meeting budget due to escalating inflationary costs coupled with an inability to adjust prices accordingly due to government controls. We are doing everything possible to improve efficiencies in present operations and to increase their size and scope which will help develop further efficiencies. During the year we purchased several small laboratories in Quebec and in Buffalo, and subsequent to our year-end we acquired a chain of seventeen laboratories in Hamilton and Toronto. These new purchases should have a major favourable impact on Cybermedix's performance in the years ahead.





1. Interior view of the newly renovated production area at the Magnani plant in Montreal.
2. One of Research Foods' spray-dry ovens in the Toronto plant.
3. Liz Nixon conducts trace metal detection on food products at Campro Laboratory in Toronto as Walter Kask looks on.
4. A general view of the Research Foods laboratory in Toronto shows Arnold Urbonas and Inni Rashid at work.

FOODS GROUP

Total sales for the Foods Group reached \$26,749,048 compared with \$22,592,343 last year. Operations provided after-tax earnings of \$729,066 which is more than double last year's earnings of \$360,434. The improved results were obtained because of excellent overall growth in the operations of Research Foods and also because W. J. Lafave & Sons were able to overcome most of the inventory and profit margin control problems which they experienced last year.

Research Foods manufactures and supplies specialty ingredients such as dehydrated cheese powders, powdered shortenings and seasonings to the food processing industry. The company has in the past pioneered the development of many specialty products and last year implemented a new strategy to deal with anticipated changes in technology, demography and socio-economic conditions — all of which will have a profound future effect on the food industry in Canada. Much more emphasis will be placed on research and development and on techniques for increasing productivity. The acquisition and incorporation of Campro Laboratories into Research Foods provides us with one of the largest and most sophisticated research and analytical centres of its kind in the country. The company will utilize this exciting new facility for its own research and product development as well as providing research and analytical services for outside clients. The company is also presently

undergoing a major plant expansion which includes the installation of new spray-drying equipment and modernization of the entire office area.

W. J. Lafave & Sons processes and distributes from its modern plant near Montreal a large range of specialty ingredients such as shortenings, fats, oils and chocolate products to the baking and dairy industry. Lafave also operates a subsidiary company, Magnani Inc., which manufactures a variety of pasta food products. The major activity at Lafave's in the past year has been to consolidate and stabilize operations subsequent to the previous year's plant expansion program. At the same time the Magnani plant was renovated and in the process doubled its production capacity. To provide better controls over the enlarged operations at Lafave, we installed a new computerized accounting and inventory control system. This has just recently become fully operational and should provide improved operating and control efficiencies.

For the new year our Foods Group is poised to take full advantage of the changing and expanding market opportunities across the country. We will also place increased emphasis on export markets which are particularly attractive under present foreign exchange conditions. All of this should result in an interesting and even more improved performance next year.



TEN YEAR REVIEW

EARNINGS STATISTICS

	1980	1979	1978
Revenues	\$139,217,043	105,629,644	181,730,071
Depreciation	3,847,289	3,184,967	3,560,953
Net Earnings	1,446,784	959,361	6,320,883
Cash Flow	3,695,929	1,880,919	9,692,023
Dividends Paid	—	924,878	835,761

BALANCE SHEET STATISTICS

Current Assets	\$ 49,965,343	42,980,718	37,192,903
Current Liabilities	32,165,852	29,217,562	26,871,633
Working Capital	17,799,491	13,763,156	10,321,270
Fixed Assets — Net	30,314,630	20,444,912	26,321,703
Long-Term Debt	36,940,363	26,261,826	21,627,653
Shareholders' Equity	31,492,232	30,028,736	30,019,193

COMMON SHARE STATISTICS

Earnings per Share	\$.61	.40	2.67
Cash Flow per Share	1.56	.79	4.03
Dividends per Share	—	.39	.36
Equity per Share	13.29	12.67	12.63
Return on Equity (average)	5%	3%	23%

OTHER STATISTICS

Average Shares Outstanding	2,370,002	2,371,552	2,370,133
Number of Shareholders	1,900	1,900	1,950

*1977 and 1975 statistics are based on continuing operations.

1977	1976	1975	1974	1973	1972	1971
145,214	149,831,095	*121,104,857	154,685,149	94,613,005	32,542,237	20,945,938
309,913	2,242,105	*1,594,556	1,692,307	1,163,237	647,896	484,614
139,496	3,532,528	*2,423,107	2,956,159	2,414,082	1,746,690	1,292,382
341,809	6,767,819	*5,439,024	5,774,501	4,550,487	3,373,114	2,601,772
761,209	685,687	553,570	397,348	210,850	150,493	97,204
157,933	30,603,645	28,860,017	39,172,620	22,585,054	11,184,643	7,076,106
592,991	23,536,967	26,142,108	37,728,360	20,817,298	9,001,735	6,279,055
564,942	7,066,678	2,717,909	1,444,260	1,767,756	2,182,908	797,051
572,113	22,610,704	18,492,437	25,136,753	21,149,650	12,752,947	8,177,940
220,781	15,167,565	11,661,885	15,646,934	17,434,139	10,032,670	3,993,232
165,701	22,610,191	19,316,386	16,946,808	11,132,809	7,529,954	5,459,833
*.91	1.62	*1.14	1.55	1.37	1.05	.83
*2.49	3.10	*2.55	3.04	2.58	2.03	1.68
.34	.32	.26	.21	.12	.09	.06
10.32	10.18	9.06	7.97	6.24	4.50	3.37
*9%	17%	*13%	21%	26%	27%	30%
344,840	2,186,010	2,129,177	1,896,507	1,764,390	1,664,541	1,548,570
1,900	1,900	2,000	1,950	1,650	1,600	1,550

AUDITORS' REPORT

To the Shareholders

We have examined the consolidated balance sheet of Agra Industries Limited as at July 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1980 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins + Sells
Chartered Accountants

SASKATOON, Canada
October 20, 1980

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

Year Ended July 31, 1980

	1980	1979
Revenue		
Sale of products, contracts and fees (Note 17)	<u>\$139,217,043</u>	<u>105,629,644</u>
Expenses		
Cost of sales and services, selling, general and administrative	128,063,055	99,169,328
Depreciation	3,847,289	3,184,967
Interest on long-term debt	4,943,241	3,096,027
Other interest	<u>1,608,763</u>	<u>956,404</u>
	<u>138,462,348</u>	<u>106,406,726</u>
Earnings (loss) before income taxes, minority interest and extraordinary items	<u>754,695</u>	<u>(777,082)</u>
Income taxes (recovery)		
— current	450,684	722,558
— deferred	<u>(299,068)</u>	<u>(1,419,300)</u>
	151,616	(696,742)
Minority interest	603,079	(80,340)
Earnings of non-consolidated entities	<u>(19,394)</u>	<u>(57,762)</u>
	<u>714,006</u>	<u>1,127,575</u>
Earnings before extraordinary items	1,297,691	989,473
Extraordinary items (Note 10)	<u>149,093</u>	<u>(30,112)</u>
Net earnings	<u><u>\$ 1,446,784</u></u>	<u><u>959,361</u></u>
Earnings per share (Note 15)		
Before extraordinary items	<u><u>\$.55</u></u>	<u><u>.42</u></u>
After extraordinary items	<u><u>\$.61</u></u>	<u><u>.40</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended July 31, 1980

Balance, beginning of year	\$ 19,971,536	19,947,352
Add Net earnings	<u>1,446,784</u>	<u>959,361</u>
	<u>21,418,320</u>	<u>20,906,713</u>
Less: Dividends paid	<u>—</u>	<u>924,878</u>
Redemption of common shares	<u>—</u>	<u>10,299</u>
	<u>—</u>	<u>935,177</u>
Balance, end of year	<u><u>\$21,418,320</u></u>	<u><u>19,971,536</u></u>

See accompanying notes.

AGRA INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEET

July 31, 1980

ASSETS

Current

Accounts receivable	\$ 28,069,110	23,831,082
Inventory and contracts in progress	18,989,731	13,928,134
Prepaid expenses	615,014	511,427
Other (Note 3)	2,291,488	4,710,075
	<u>49,965,343</u>	<u>42,980,718</u>

Investments

Equity in non-consolidated entities	10,399,196	10,022,905
Other — at cost	3,315,549	3,881,913
	<u>13,714,745</u>	<u>13,904,818</u>

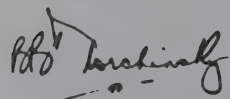
Fixed

Land	2,514,792	1,568,929
Buildings	12,785,220	6,036,941
Equipment	31,264,503	25,315,591
	<u>46,564,515</u>	<u>32,921,461</u>
Less accumulated depreciation	16,249,885	12,476,549
	<u>30,314,630</u>	<u>20,444,912</u>

Other

Excess cost of shares in subsidiaries and acquired goodwill	6,047,034	5,866,261
Deferred charges	2,088,145	2,606,132
	<u>8,135,179</u>	<u>8,472,393</u>

ON BEHALF OF THE BOARD



B. B. TORCHINSKY — Director



T. A. McLELLAN — Director

See accompanying notes.

\$102,129,897

85,802,841

LIABILITIES**Current**

Bank indebtedness (Note 4)	\$ 12,623,016	10,331,816
Accounts payable	14,165,305	12,506,953
Income taxes payable	381,797	161,077
Current portion of long-term debt (Note 6)	2,913,198	3,488,998
	30,083,316	26,488,844

Deferred income taxes	2,082,536	2,728,718
	32,165,852	29,217,562

Long-term (Note 6)	36,940,363	26,261,826
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Deferred income taxes	1,502,056	294,717
	70,608,271	55,774,105

Minority interest	29,394	—
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SHAREHOLDERS' EQUITY**Share capital (Note 8)**

Authorized

- Class A common voting convertible shares,
without nominal or par value
- Class B common voting convertible shares,
without nominal or par value

Issued and outstanding

- 1,632,565 Class A shares
- 737,654 Class B shares

<u>2,370,219</u>	10,073,912	10,057,200
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Retained earnings	21,418,320	19,971,536
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31,492,232	30,028,736
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\$102,129,897	85,802,841
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AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended July 31, 1980

	1980	1979
Source of Working Capital		
Operations		
Net earnings before extraordinary items	\$ 1,297,691	989,473
Items not affecting working capital	2,568,194	408,544
	<u>3,865,885</u>	<u>1,398,017</u>
Proceeds from:		
Investments	1,158,784	1,770,419
Disposal of fixed assets	1,218,628	2,144,815
Long-term debt	13,332,994	9,090,649
Issue of share capital and options	16,712	5,300
Increase in minority interest	29,394	—
Sale of subsidiary companies	—	6,087,824
Extraordinary items	1,423,851	(30,112)
	<u>21,046,248</u>	<u>20,436,912</u>
Use of Working Capital		
Investments	1,026,801	8,447,947
Purchase of fixed assets	7,693,352	3,886,008
Deferred expenses	11,674	93,973
Excess cost of subsidiaries and acquired goodwill	167,127	—
Retirement of long-term debt	2,982,186	3,384,177
Acquisition of subsidiary company	5,774,955	1,783,789
Payment of dividends	—	924,878
Repurchase of share capital	—	30,803
	<u>17,656,095</u>	<u>18,551,575</u>
Increase in working capital	3,390,153	3,885,337
Working capital, beginning of year	16,491,874	12,606,537
Working capital, end of year, excluding deferred income taxes	<u>19,882,027</u>	<u>16,491,874</u>
Deferred income taxes	2,082,536	2,728,718
Working capital, end of year, including deferred income taxes	<u>\$17,799,491</u>	<u>13,763,156</u>
Represented by		
Current assets	\$49,965,343	42,980,718
Current liabilities, excluding deferred income taxes	30,083,316	26,488,844
Working capital, excluding deferred income taxes	19,882,027	16,491,874
Deferred income taxes	2,082,536	2,728,718
	<u>\$17,799,491</u>	<u>13,763,156</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — July 31, 1980

1. Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company holds a controlling interest.

The equity method of accounting is applied to investments in other entities.

Inventories

Inventories used in determining cost of sales are priced at the lower of cost and net realizable value. Engineering and construction contracts in progress are recorded at estimated realizable value on the percentage of completion basis.

Fixed Assets

Land, buildings and equipment are carried at cost. Depreciation of buildings and equipment has been recorded in the accounts on a straight-line basis at rates providing for the amortization of cost of the buildings and equipment over their estimated useful life.

Profits and losses on the sale of fixed assets are included in earnings from operations unless of an extraordinary nature.

Excess Cost of Shares of Subsidiaries Acquired

For those companies acquired subsequent to August 1, 1973, the excess of the purchase price over the net fair value of identifiable assets is amortized on a straight-line basis over forty years.

For those companies acquired prior to August 1, 1973, the excess of the purchase price over the net book value of the underlying assets at date of acquisition is not being amortized, since in the opinion of management, no diminution of value has occurred.

Deferred Charges

Deferred financing, development and other similar costs are amortized over a reasonable predetermined period.

Deferred Income Taxes

The Company records the estimated future tax benefit from operating losses, when in the opinion of management, the realization of such benefits is virtually certain. In addition, the Company records the estimated future tax liability that may arise as a result of timing differences between recording for accounting purposes and recording for income tax purposes.

2. Acquisitions and Disposals

During the year the Company acquired 100% of the outstanding shares of Seven-Up Montreal Ltée. and completed an agreement to resell the shares to Seven-Up Canada Limited subject to approval by the Foreign Investment Review Agency (FIRA).

The Company acquired 80% of the outstanding shares of Sergeant, Hauskins & Beckwith Geotechnical Engineers Inc. for \$379,000 cash.

The Company sold its 24% interest in Fraser River Pile Driving Company Limited for \$2,355,000 cash and its 50% interest in Beer Prefac Limited for \$819,840 cash. Integrated Satellite Information Services Limited, in which the Company holds a 50% interest, sold its operations for \$351,985.

3. Other Current Assets

The other current assets include:

	1980	1979
Current portion of long-term investments	\$ 2,291,488	2,129,067
Short-term investments	—	2,581,008
	<u>\$ 2,291,488</u>	<u>4,710,075</u>

4. Bank Indebtedness

The bank indebtedness includes:	1980	1979
Secured bank loans	\$10,419,796	9,014,428
Cheques issued and uncashed	2,203,220	1,317,388
	<u>\$12,623,016</u>	<u>10,331,816</u>

The bank loans are secured by general assignments of accounts receivable, inventories and fixed and floating charge debentures on certain fixed assets.

5. 6½% Convertible Subordinated Debentures

During 1972 the Company issued \$3,000,000 of 6½% Convertible Subordinated Debentures to mature March 15, 1992. The debentures are unsecured, direct obligations of the Company and are subordinated to the senior indebtedness of the Company.

The debentures are convertible until March 15, 1992 on the basis of 76.923 common shares per \$1,000 principal amount of debentures, equivalent to a conversion price of \$13 per share. The debentures are redeemable at any time at the option of the Company at their principal amount plus accrued interest provided that the average price at which the common shares of the Company have traded in the 30 day period prior to giving notice of redemption is at least 120% of the conversion price. The Company covenants that so long as any debentures remain outstanding it will use all reasonable effort to purchase in the market at such time or times in each 12 month period ending March 15, a total of at least \$90,000 principal amount of debentures outstanding at a price not exceeding 100% of the principal amount plus accrued interest. In the event debentures are not available for purchase in any 12 month period, the obligation is nullified in that period.

During the year ended July 31, 1980 the Company redeemed \$166,000 of these debentures to complete its obligation for the year.

6. Long-Term Debt

	1980	1979
Mortgages and chattel mortgages payable with interest rates averaging 13.8% (maturity dates from 1981 to 2000)	\$ 3,560,381	2,801,446
Notes, agreements and loans payable with interest rates averaging 13.5% (maturity dates from 1981 to 1992)	34,017,180	24,507,378
6½% Convertible Subordinated Debentures (Note 5)	2,276,000	2,442,000
	<u>39,853,561</u>	<u>29,750,824</u>
Less current portion	2,913,198	3,488,998
	<u>\$36,940,363</u>	<u>26,261,826</u>

7. Dividend Restrictions

The Company is subject to certain restrictions on the payment of dividends as contained in the Trust Deed providing for the 6½% Convertible Subordinated Debentures and a loan agreement with a Canadian chartered bank.

8. Share Capital

During the year 600 (Class A) shares were issued for cash. The Company on arranging financing with a former lender granted a pre-emptive right to maintain its percentage ownership in the Company. Upon the retirement of the indebtedness, in the opinion of management, the pre-emptive right expired.

9. Stock Option Plan

Under a Company stock option plan, dated November 27, 1969, options for 21,900 common shares of the Company have been granted to employees of the Company as at July 31, 1980. The plan provides that options are exercisable for a five year period and the price at which the options can be exercised may be no less than 90% of the market value of such shares at the time the options are granted. As at July 31, 1980, 15,800 shares have been issued to employees of the Company under the plan.

Under a Company stock option plan dated November 6, 1979, options for 28,325 common shares of the Company have been accepted by employees of the Company as at July 31, 1980. The plan provides that employees shall pay to the Company 50 cents for each option, which shall be credited to the purchase price when validly exercised. The options are exercisable for a five year period at a price not less than 90% of the market price at the time the options are granted. As at July 31, 1980, 200 shares have been issued to employees of the Company under the plan.

10. Extraordinary Items

	1980	1979
Gain (loss) on discontinued operations (net of income taxes (recovery) of (\$232,288); 1979 — (\$251,657))	\$149,093	(30,112)

11. Remuneration to Directors and Senior Officers

Remuneration to 20 directors and senior officers amounted to \$954,000 for the year.

12. Lease Commitments

Minimum annual payments under long-term operating leases, the longest of which will expire in 1994, for the five succeeding years are: \$416,616; \$398,174; \$322,637; \$284,652; and \$257,042, totalling \$1,679,121.

13. Contingent Liabilities

The Company has guaranteed certain indebtedness of affiliated companies in the amount of \$9,500,000.

14. Pending Legal Proceedings

Agra Industries Limited and its subsidiaries are defendants in lawsuits involving various amounts. The results of these actions should not have any material effect on the financial position of the Company.

15. Fully Diluted Net Earnings per Share

	1980	1979
Before extraordinary	\$.54	.42
After extraordinary	.60	.40

The fully diluted net earnings per share reflect earnings that would have been reported had all conversion rights been exercised.

16. Transactions Subsequent to Year-End

The Company completed an agreement to sell the assets of Canada All-News Radio (CKO) for \$2,000,000 cash and a non-interest bearing \$4,000,000 note receivable over four years. The sale is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC).

17. Segmented Information

	Engineering	Beverages	Community Services	Foods	Consolidated Total
Revenue	\$59,656,312	47,411,863	5,399,820	26,749,048	139,217,043
Earnings					
Earnings before the following	\$ 758,497	804,242	(1,739,726)	780,066	603,079
Earnings of non-consolidated entities	153,917	—	560,089	—	714,006
Minority interest	(19,394)	—	—	—	(19,394)
Earnings before extraordinary items	893,020	804,242	(1,179,637)	780,066	1,297,691
Extraordinary items	113,324	—	86,769	(51,000)	149,093
Net earnings	\$ 1,006,344	804,242	(1,092,868)	729,066	1,446,784
Assets	\$46,379,447	25,313,374	14,018,045	16,419,031	102,129,897
Depreciation and Amortization	\$ 1,578,194	1,226,836	707,896	334,363	3,847,289
Capital Expenditures	\$ 5,053,148	1,303,479	107,989	1,228,736	7,693,352





AGRA INDUSTRIES LIMITED

HEAD OFFICE:

1101 CN TOWERS, SASKATOON, CANADA S7K 1J5

PHONE (306) 853-5183 TELEX 074-2496

OFFICE OF THE PRESIDENT:

1201 OLD MILL TOWERS, 39 OLD MILL ROAD, TORONTO, CANADA M8X 1G6

PHONE (416) 233-9633

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(416) 335-4655

KINGSTON CABLENET (73%)

335 King Street E.,
P.O. Box 532,
Kingston, Ont. K7L 4W5
(613) 544-6311

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Maryville, Illinois 62062
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